

# **Gulf Cement Company P.S.C.**

## **UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**

**30 JUNE 2023**

## **GULF CEMENT COMPANY P.S.C.**

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## **REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF GULF CEMENT COMPANY P.S.C.**

### **Introduction**

We have reviewed the accompanying interim condensed financial statements of Gulf Cement Company P.S.C. (the “Company”) as at 30 June 2023 which comprise the interim statement of financial position as at 30 June 2023 and the related interim statement of profit or loss and comprehensive income for the three-months and six-months period then ended, interim statements of changes in equity and cash flows for the six-months period then ended, and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standards 34, Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young

Signed by:  
Wardah Ebrahim  
Partner  
Registration No. 1258

9 August 2023

Sharjah, United Arab Emirates

# Gulf Cement Company P.S.C.

## INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS

For the six months period ended 30 June 2023 (unaudited)

	Notes	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
		<i>30 June 2023</i>	<i>30 June 2022</i>	<i>30 June 2023</i>	<i>30 June 2022</i>
		<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Revenue	4	<b>123,122,857</b>	99,546,600	<b>226,109,935</b>	176,562,493
Cost of sales		<b>(122,721,004)</b>	(98,924,233)	<b>(232,667,762)</b>	(189,709,648)
<b>GROSS PROFIT/ (LOSS)</b>		<b>401,853</b>	622,367	<b>(6,557,827)</b>	(13,147,155)
Other operating income	6	<b>3,276,570</b>	2,304,510	<b>5,947,808</b>	2,709,074
Selling, distribution and administrative expenses		<b>(12,047,196)</b>	(9,672,970)	<b>(21,370,021)</b>	(18,230,887)
Investment loss - net	5	<b>(121,269)</b>	(942,072)	<b>(168,085)</b>	(1,014,664)
Finance cost		<b>(1,223,365)</b>	(637,080)	<b>(2,354,366)</b>	(1,015,270)
Finance income		-	-	<b>583,090</b>	-
Other income		<b>86,288</b>	487,285	<b>227,762</b>	1,456,814
<b>LOSS FOR THE PERIOD</b>		<b>(9,627,119)</b>	(7,837,960)	<b>(23,691,639)</b>	(29,242,088)
<b>Earnings per share (EPS):</b>					
Basic and diluted loss per share	16	<b>(0.023)</b>	(0.019)	<b>(0.058)</b>	(0.071)

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

Gulf Cement Company P.S.C.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six months period ended 30 June 2023 (unaudited)

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2023</i>	<i>30 June 2022</i>	<i>30 June 2023</i>	<i>30 June 2022</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
<b>Loss for the period</b>	<b>(9,627,119)</b>	<b>(7,837,960)</b>	<b>(23,691,639)</b>	<b>(29,242,088)</b>
<b>Other comprehensive (loss)/ income:</b>				
<i>Other comprehensive (loss)/ income that will not be reclassified to profit or loss in subsequent periods</i>				
(Loss)/ gain on disposal of investments carried at fair value through other comprehensive income (FVTOCI)	<b>(11,286)</b>	2,390,925	<b>(36,369)</b>	2,520,170
Net change in fair value of investments carried at fair value through other comprehensive income (FVTOCI)	<b>(8,553)</b>	(5,199,255)	<b>(690,896)</b>	1,527,879
Total other comprehensive (loss)/ income	<b>(19,839)</b>	(2,808,330)	<b>(727,265)</b>	4,048,049
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(9,646,958)</b>	<b>(10,646,290)</b>	<b>(24,418,904)</b>	<b>(25,194,039)</b>

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

Gulf Cement Company P.S.C.

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023 (unaudited)

	<i>Notes</i>	<b>30 June 2023 AED (unaudited)</b>	<i>31 December 2022 AED (Audited)</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	645,843,440	659,416,363
Investment property		6,430,000	6,430,000
Investments carried at fair value through other comprehensive income (FVTOCI)	9(a)	1,859,452	2,223,101
Trade and other receivables	8	1,806,611	1,567,283
<b>Total non-current assets</b>		<b>655,939,503</b>	<b>669,636,747</b>
<b>Current assets</b>			
Inventories	10	112,883,085	90,932,943
Trade and other receivables	8	69,904,027	60,298,736
Investments carried at fair value through profit or loss (FVTPL)	9(b)	8,851,917	9,915,102
Bank balances and cash	11	12,750,121	3,774,784
<b>Total current assets</b>		<b>204,389,150</b>	<b>164,921,565</b>
<b>TOTAL ASSETS</b>		<b>860,328,653</b>	<b>834,558,312</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	12	410,548,410	410,548,410
Reserves	13	348,663,041	348,663,041
Fair value reserve	9(a)	(12,956,713)	(12,274,202)
Accumulated losses		(170,204,454)	(146,468,061)
<b>Total equity</b>		<b>576,050,284</b>	<b>600,469,188</b>
<b>Non-current liabilities</b>			
Provision for employees' end of service indemnities		8,641,500	8,579,271
Trade and other payables	15	1,706,781	-
<b>Total non-current liabilities</b>		<b>10,348,281</b>	<b>8,579,271</b>
<b>Current liabilities</b>			
Bank borrowings	14(a)	48,237,576	51,062,120
Term loans	14(b)	19,346	123,428
Trade and other payables	15	225,673,166	174,324,305
<b>Total current liabilities</b>		<b>273,930,088</b>	<b>225,509,853</b>
<b>Total liabilities</b>		<b>284,278,369</b>	<b>234,089,124</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>860,328,653</b>	<b>834,558,312</b>



Kayed Omar Saqr Mohamed Al Qassimi  
Chairman of the Board of Directors

The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.

## Gulf Cement Company P.S.C.

### INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2023 (unaudited)

	<i>Share capital AED</i>	<i>Reserves AED</i>	<i>Fair value reserve AED</i>	<i>Accumulated losses AED</i>	<i>Total AED</i>
Balance at 1 January 2022	410,548,410	348,663,041	(39,675,070)	(78,189,194)	641,347,187
Loss for the period	-	-	-	(29,242,088)	(29,242,088)
Other comprehensive income for the period	-	-	1,527,879	2,520,170	4,048,049
Total comprehensive income/ (loss) for the period	-	-	1,527,879	(26,721,918)	(25,194,039)
Transfer on disposal of investments carried at FVTOCI (note 9 (a))	-	-	320,785	(320,785)	-
Balance at 30 June 2022 (unaudited)	<u>410,548,410</u>	<u>348,663,041</u>	<u>(37,826,406)</u>	<u>(105,231,897)</u>	<u>616,153,148</u>
Balance at 1 January 2023	410,548,410	348,663,041	(12,274,202)	(146,468,061)	600,469,188
Loss for the period	-	-	-	(23,691,639)	(23,691,639)
Other comprehensive loss for the period	-	-	(690,896)	(36,369)	(727,265)
Total comprehensive loss for the period	-	-	(690,896)	(23,728,008)	(24,418,904)
Transfer on disposal of investments carried at FVTOCI (note 9 (a))	-	-	8,385	(8,385)	-
<b>Balance at 30 June 2023 (unaudited)</b>	<b><u>410,548,410</u></b>	<b><u>348,663,041</u></b>	<b><u>(12,956,713)</u></b>	<b><u>(170,204,454)</u></b>	<b><u>576,050,284</u></b>

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

# Gulf Cement Company P.S.C.

## INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the six months period ended 30 June 2023 (unaudited)

	Notes	<i>Six-month period ended</i>	
		<i>30 June 2023</i>	<i>30 June 2022</i>
		<i>AED</i>	<i>AED</i>
<b>OPERATING ACTIVITIES</b>			
Loss for the period		(23,691,639)	(29,242,088)
Adjustments to reconcile loss to cash flows:			
Depreciation of property, plant and equipment	7	30,421,167	26,835,566
Finance cost		2,354,366	1,015,270
Provision for employees' end of service indemnity		506,588	420,000
Unrealised loss on investments carried at FVTPL	5	631,844	3,182,192
Allowance for expected credit losses	8	600,000	-
(Loss)/ gain on sale of investments in securities carried at FVTPL	5	85,645	(32,239)
Finance Income		(583,090)	-
Interest and dividend income		(549,404)	(2,135,289)
		<u>9,775,477</u>	<u>43,412</u>
Working capital adjustments			
Trade and other receivables		(10,209,931)	(7,480,381)
Inventories		(21,950,142)	(5,329,000)
Trade and other payables		55,905,572	(1,190,544)
		<u>33,520,976</u>	<u>(13,956,513)</u>
Cash flows from / (used in) from operations		(444,359)	(339,427)
Employees' end of service indemnity paid		(2,354,366)	(1,015,270)
Finance cost paid			
		<u>30,722,251</u>	<u>(15,311,210)</u>
Net cash flows from/ (used in) operating activities			
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	7	(16,848,244)	(32,841,929)
Purchase of investments carried at FVTOCI	9(b)	(810,274)	(3,172,231)
Proceeds on disposal of investments in securities		792,354	27,166,886
Dividends received	5	548,731	2,134,025
Interest received	5	673	1,264
		<u>(16,316,760)</u>	<u>(6,711,985)</u>
Net cash flows used in investing activities			
<b>FINANCING ACTIVITIES</b>			
Net movement in bank borrowings and term loan		(2,928,626)	23,908,623
Dividends paid		(2,501,528)	(330,692)
		<u>(5,430,154)</u>	<u>23,577,931</u>
Net cash (used in)/ from financing activities			
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</b>		<b>8,975,337</b>	<b>1,554,736</b>
Cash and cash equivalents at the beginning of the period	11	3,774,784	7,182,161
<b>BANK BALANCES AND CASH AT THE END OF THE PERIOD</b>		<b>12,750,121</b>	<b>8,736,897</b>

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.



## 1. CORPORATE INFORMATION

Gulf Cement Company P.S.C. (a Public Shareholding Company), Ras Al Khaimah (the "Company") having registration number 10363325 is incorporated as a public shareholding company by Emiri decree number 24/77 issued by His Highness, The Ruler of Ras Al Khaimah, U.A.E., in 1977. The address of the Company's registered office is P. O. Box 5295 Ras Al Khaimah, United Arab Emirates. The Company's shares are listed on Abu Dhabi Securities Exchange (ADX).

The principal activities of the Company are production and marketing of all types of cement.

### 1.1 ASSESSMENT OF GOING CONCERN ASSUMPTION

During the six months' period ended 30 June 2023, the Company incurred a loss of AED 23.7 million and, as of that date, the Company's accumulated losses amounted to AED 170.2 million, and current liabilities exceeded current assets by AED 69.5 million. Slowdown in the overall economic situation arising from the consequences of the ongoing Russia-Ukraine war and changing geopolitical situation; competitive prices and a continuous excess supply pressure, operating results have been negatively impacted.

The major challenges during the period were fetching best prices from the customers in export market amid increasing competition, excess supply of cement in both local and export market post the end of COVID-19 pandemic and procuring fuel & energy at optimum prices while the ongoing Russia-Ukraine war continues to aggravate this situation, controlling fixed cost, passing increasing cost to customers and scheduled maintenance. The Company has shown resilience in all respect and has adopted all tangible measures to improvise the situation in the Company's favour. The cost control measures, and various strategies adopted by management in the financial year 2022 in all areas with a specific focus to reduce fixed costs have started reaping benefit during the six months period ended 30 June 2023. During the six months period ended 30 June 2023, the Company has improved its gross loss from 7.4% for the previous comparable period to 2.9% for the current period and improved earnings before interest, taxes, depreciation, and amortization (EBITDA i.e., non-IFRS measure) from negative AED 1.4 million to positive AED 9.1 million for the same period.

In order to be able to deal with the effects of continued all-time high energy and commodity prices, the current selling price environment, as well as effects of the global uncertainty, the management is continuously reviewing the Company's business and asserting the strategies. Tactical course of actions taken is mentioned below:

- Upward price revision in local market and renegotiation on prices with export customers
- Developing new markets for both existing and new products in the export business
- Reduction of costs and improvements in efficiencies wherever conceivable
- Energy conservative measures and right mix of power sources and effective and efficient use of available resources to be lowest cost-producer in the country
- Automation of machines interfaces with ERP for real time data and effective decision making
- Curtailment of discretionary capital expenditure while preserving the ability of the business to increase production when cement prices and economies improve
- Strict working capital management through negotiation in payment terms with suppliers

Management have prepared cash flow forecasts for a period in excess of 12 months. Various scenarios have been considered to test the Company's resilience to business risks including:

- Significant adverse movements in the energy and fuel prices, and cement selling prices or a combination thereof
- Failure to meet forecast demand targets

In view of this, the management has determined that the Company has sufficient internal and external sources of finance until the performance metrics improve, which is expected in the near future. The Company is currently low-leveraged that provides sufficient headroom to cushion against downside operational risks, and consequently management believes that it is better placed to face off the headwinds. At 30 June 2023, the Company had available AED 19.8 million (31 December 2022: AED 48.5 million) of undrawn committed borrowing facilities.

### 1.1 ASSESSMENT OF GOING CONCERN ASSUMPTION (continued)

Based on the Company's expectation related to the forecasts and facilities in place, management believe that the Company will be able to operate and comply with its financial covenants and be able to meet its obligations as they fall due, and accordingly have formed a judgement that it is appropriate to prepare the interim condensed financial statements on a going concern basis.

## 2. BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

### 2.1 Basis of preparation

The interim condensed financial statements of the Company for the six months period ended 30 June 2023 have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at 31 December 2023.

In addition, results for the six months period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

The interim condensed financial statements have been prepared in United Arab Emirates Dirhams (AED), which is the Company's functional currency, and all values are rounded to the nearest Dirhams except where otherwise indicated.

The interim condensed financial statements have been prepared on a historical cost basis except for investments carried at fair value through profit or loss, investments carried at fair value through other comprehensive income and investment property that have been measured at fair value.

### 2.2 New standards, interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2023, but did have an impact on the interim condensed financial statements of the Company.

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates - Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform – Pillar-Two Model Rules – Amendments to IAS 12

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of interim condensed financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial statements for the year ended 31 December 2022.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2023 (unaudited)

**4. REVENUE FROM CONTRACTS WITH CUSTOMERS****4.1 Disaggregated revenue information**

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2023</i>	<i>30 June 2022</i>	<i>30 June 2023</i>	<i>30 June 2022</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Type of revenue</b>				
Sale of goods	<b>123,122,857</b>	99,546,600	<b>226,109,935</b>	176,562,493
	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2023</i>	<i>30 June 2022</i>	<i>30 June 2023</i>	<i>30 June 2022</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Geographical markets</b>				
Within UAE	<b>48,332,722</b>	24,409,260	<b>89,722,331</b>	46,834,413
Outside UAE	<b>74,790,135</b>	75,137,340	<b>136,387,604</b>	129,728,080
	<b>123,122,857</b>	99,546,600	<b>226,109,935</b>	176,562,493
	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2023</i>	<i>30 June 2022</i>	<i>30 June 2023</i>	<i>30 June 2022</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	<b>123,122,857</b>	99,546,600	<b>226,109,935</b>	176,562,493

Revenue includes AED 179.8 million which represents 77.6% of total revenue from 7 customers (six months period ended 30 June 2022: AED 157.5 million which represents 89% of total revenue from 7 customers).

**4.2 Contract balances**

	<i>30 June</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Trade receivables (note 8)	<b>58,329,950</b>	50,323,883
Advances from customers (note 15)	<b>10,348,803</b>	13,443,152

**4.3 Performance obligations**

The performance obligation on sales of goods is satisfied upon delivery and payment is generally due within 150 to 180 days (2022: 150 to 180 days) from delivery.

# Gulf Cement Company P.S.C.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2023 (unaudited)

### 5. INVESTMENT LOSS - NET

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2023</i>	<i>30 June 2022</i>	<i>30 June 2023</i>	<i>30 June 2022</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Unrealised loss) on investments carried at FVTPL (note 9(b))	<b>(639,826)</b>	(2,601,475)	<b>(631,844)</b>	(3,182,192)
(Loss)/ gain on disposal of investment carried at FVTPL	<b>(30,589)</b>	32,239	<b>(85,645)</b>	32,239
Dividend income	<b>548,731</b>	1,626,237	<b>548,731</b>	2,134,025
Interest income	<b>415</b>	927	<b>673</b>	1,264
	<b>(121,269)</b>	(942,072)	<b>(168,085)</b>	(1,014,664)

### 6. OTHER OPERATING INCOME

Other operating income consists of income earned on electricity generated by the Company and distributed to a customer. Income earned during the six months period ended 30 June 2023 amounted to AED 5.9 million (2021: AED 2.7 million).

### 7. PROPERTY, PLANT AND EQUIPMENT

- During the six months period ended 30 June 2023, additions to property, plant and equipment amounted to AED 16,848,244 (30 June 2022: AED 32,841,929) and depreciation for the six months ended 30 June 2023 amounted to AED 30,421,167 (30 June 2022: AED 26,835,566).
- The factory and its related buildings are constructed on plots of land owned by the Government of Ras Al Khaimah.
- All property, plant and equipment is located in the UAE.
- Motor vehicles with net book value of AED 294 thousand (31 December 2022: 364 thousand) are mortgaged against auto loan (note 14 (b)).
- There is a negative pledge over property, plant and equipment against borrowings (note 14 (a)).
- Assignment of fire insurance policy over moveable property, plant and equipment in relation to banking facilities obtained by the Company (note 14 (a)).

### 8. TRADE AND OTHER RECEIVABLES

	<i>30 June 2023</i>	<i>31 December 2022</i>
	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Trade receivables	<b>62,979,501</b>	54,373,434
Less: allowance for expected credit losses (note (b))	<b>(4,649,551)</b>	(4,049,551)
	<b>58,329,950</b>	50,323,883
Other receivables	<b>11,078,717</b>	9,474,853
Relating to receivable from sale of an associate	<b>2,301,971</b>	2,067,283
	<b>71,710,638</b>	61,866,019
Relating to receivable from sale of an associate due after one year	<b>(1,806,611)</b>	(1,567,283)
	<b>69,904,027</b>	60,298,736

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2023 (unaudited)

**8. TRADE AND OTHER RECEIVABLES (continued)**

- a) Trade receivables amounting to AED 30.2 million (31 December 2022: AED 26.9 million) are fully covered by either unconditional bank guarantees or letter of credit from the customers.
- b) The movement in allowance for expected credit losses during the period was as follows:

	<i>30 June 2023 AED (unaudited)</i>	<i>31 December 2022 AED (audited)</i>
Balance at the beginning of the period/ year	4,049,551	2,941,224
Charge for the period/ year	600,000	1,108,327
	<u>4,649,551</u>	<u>4,049,551</u>

**9. INVESTMENT IN SECURITIES**

- a) **Investments carried at fair value through other comprehensive income (FVTOCI)**

	<i>30 June 2023 AED (unaudited)</i>	<i>31 December 2022 AED (audited)</i>
Quoted	1,973,659	1,654,797
Unquoted	12,842,506	12,842,506
	<u>14,816,165</u>	<u>14,497,303</u>
Total gross investments at FVTOCI at cost	14,816,165	14,497,303
Less: accumulated fair value reserve, net	(12,956,713)	(12,274,202)
	<u>1,859,452</u>	<u>2,223,101</u>

The geographical spread of the above investments is as follows:

	<i>30 June 2023 (unaudited)</i>			<i>31 December 2022 (audited)</i>		
	<i>Concentration percentage on fair value</i>	<i>Cost AED</i>	<i>Fair value AED</i>	<i>Concentration percentage on fair value</i>	<i>Cost AED</i>	<i>Fair value AED</i>
Other GCC countries	<u>100%</u>	<u>14,816,165</u>	<u>1,859,452</u>	<u>100%</u>	<u>14,497,303</u>	<u>2,223,101</u>

The cumulative change in fair value of investments carried at FVTOCI amounted to negative AED 13 million as at 30 June 2023 (31 December 2022: negative AED 12.3 million) and is shown under equity. During the six months period ended 30 June 2023, the Company has transferred AED 0.01 million (30 June 2022: AED 0.32 million) from fair value reserve to accumulated losses arising from the disposal of investments carried FVTOCI. The total proceeds from the disposal of investments carried at FVTOCI amounted to AED 0.47 million (30 June 2022: AED 23.3 million) resulting to a loss of AED 0.04 million (30 June 2022: gain of AED 2.5 million) which is shown in the interim condensed statement of comprehensive income.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2023 (unaudited)

**9. INVESTMENT IN SECURITIES (continued)****a) Investments carried at fair value through other comprehensive income (FVTOCI) (continued)**

Equity instruments designated at fair value through OCI include investments in equity shares of listed and non-listed companies. The Company holds non-controlling interests in these companies. These investments were irrevocably designated at fair value through OCI as the Company considers these investments to be strategic in nature.

**b) Investments carried at fair value through profit or loss (FVTPL)**

	<i>30 June 2023 AED (unaudited)</i>	<i>31 December 2022 AED (audited)</i>
Quoted	<b>8,113,729</b>	9,319,976
Unquoted	<b>8,264,145</b>	8,264,138
Total gross investments at FVTPL at cost	<b>16,377,874</b>	17,584,114
Less: cumulative changes in fair value	<b>(7,525,957)</b>	(7,669,012)
Fair value of investments	<b>8,851,917</b>	9,915,102

The geographical spread of the above investments is as follows:

	<i>30 June 2023 (unaudited)</i>			<i>31 December 2022 (audited)</i>		
	<i>Concentration percentage on fair value</i>	<i>Cost AED</i>	<i>Fair value AED</i>	<i>Concentration percentage on fair value</i>	<i>Cost AED</i>	<i>Fair value AED</i>
UAE	<b>100%</b>	<b>8,077,939</b>	<b>8,851,917</b>	96%	8,077,939	9,483,754
Other GCC countries	-	<b>8,299,935</b>	-	4%	9,506,175	431,348
	<b>100%</b>	<b>16,377,874</b>	<b>8,851,917</b>	100%	17,584,114	9,915,102

Movement in investment in securities were as follows:

	<i>30 June 2023 AED (unaudited)</i>	<i>31 December 2022 AED (audited)</i>
Fair value of investments at the beginning of the period/ year	<b>12,138,203</b>	68,162,260
Additions made during the period/year	<b>810,274</b>	4,921,349
Disposals made during the period/ year	<b>(914,368)</b>	(60,825,144)
Unrealized loss on revaluation of investments carried at FVTPL (note 5)	<b>(631,844)</b>	(202,099)
Change in the fair value of investments carried at FVTOCI	<b>(690,896)</b>	81,837
Fair value of investments at the end of the period/ year	<b>10,711,369</b>	12,138,203

# Gulf Cement Company P.S.C.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2023 (unaudited)

### 10. INVENTORIES

	<i>30 June</i> <i>2023</i> <i>AED</i> <i>(unaudited)</i>	<i>31 December</i> <i>2022</i> <i>AED</i> <i>(audited)</i>
Finished goods	<b>9,797,882</b>	11,306,385
Raw materials	<b>7,888,712</b>	3,940,992
Work in progress	<b>36,220,059</b>	14,352,488
Bags, fuel and lubricants	<b>35,328,157</b>	39,268,946
Spare parts – maintenance department	<b>22,818,290</b>	24,152,337
Consumable items	<b>13,413,199</b>	10,486,969
Tools	<b>442,341</b>	450,381
	<b>125,908,640</b>	103,958,498
Less: allowance for slow-moving inventories	<b>(13,025,555)</b>	(13,025,555)
	<b>112,883,085</b>	90,932,943

- a) Assignment of fire insurance policy over inventories in relation to banking facilities obtained by the Company (note 14 (a)).
- b) Inventories are pledged against banking facilities obtained by the Company (note 14 (a)).

### 11. BANK BALANCES AND CASH

	<i>30 June</i> <i>2023</i> <i>AED</i> <i>(unaudited)</i>	<i>31 December</i> <i>2022</i> <i>AED</i> <i>(audited)</i>
Cash in hand	<b>11,867</b>	83,491
Bank balances:		
Current accounts	<b>11,757,358</b>	2,464,997
Call deposits (note below)	<b>980,896</b>	1,226,296
Total bank balances	<b>12,738,254</b>	3,691,293
Bank balances and cash	<b>12,750,121</b>	3,774,784

Call deposits carry interest at commercial rates per annum and are made for a period of less than three months.

### 12. SHARE CAPITAL

	<i>30 June</i> <i>2023</i> <i>AED</i> <i>(unaudited)</i>	<i>31 December</i> <i>2022</i> <i>AED</i> <i>(audited)</i>
Issued and fully paid:		
410,548,410 ordinary shares of AED 1 each	<b>410,548,410</b>	410,548,410

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2023 (unaudited)

**13. RESERVES**

According to the Company's Articles of Association and the requirements of the UAE Federal Law No. 32 of 2021, 10% of the profit of each year is transferred to the statutory reserve. The transfer to statutory reserve may be suspended when it reaches 50% of the paid-up share capital. Statutory reserve is not available for distribution except as stipulated by the Law.

According to the Company's Articles of Association 10% of the profit for each year is transferred to the voluntary reserve. The transfer to voluntary reserve may be suspended by the ordinary general assembly at the recommendation of the Board of Directors or when it reaches 20% of the Company's paid-up share capital.

As of 30 June 2023, the statutory reserve exceeded the 50% of the paid-up share capital. In prior periods, upon the approval and recommendation by the regulatory authorities in the UAE, the management has decided to maintain the statutory reserve at the same level.

	<i>Statutory reserve AED</i>	<i>Voluntary Reserve AED</i>	<i>Total AED</i>
Balance at 31 December 2022 (audited)	343,930,557	4,732,484	348,663,041
<b>Balance at 30 June 2023 (unaudited)</b>	<b>343,930,557</b>	<b>4,732,484</b>	<b>348,663,041</b>

**14. BANK BORROWINGS****a) Short term**

	<i>30 June 2023 AED (unaudited)</i>	<i>31 December 2022 AED (audited)</i>
Bank overdraft facilities	3,948,728	6,147,904
Short term loans	44,288,848	44,914,216
Total bank borrowings	<b>48,237,576</b>	<b>51,062,120</b>

The Company's overdraft balances are repayable on demand and short-term loans are repayable within twelve months. The overdraft balances and short-term loans carry interest rates at variable rates based on EIBOR plus a spread and are secured against promissory note issued by the Company and certain other securities such as assignment of fire insurance policy over inventory (note 10 (a)) and movable property, plant and equipment (note 7 (f)) and pledge over inventories (note 10 (b)) and a negative pledge over property, plant and equipment (note 7 (e)).

Bank overdraft are considered a form of financing and hence not included as a component of cash and cash equivalents in the statement of cashflows.



## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2023 (unaudited)

**14. BANK BORROWINGS (continued)****b) Term Loans**

	<i>30 June 2023 AED (unaudited)</i>	<i>31 December 2022 AED (audited)</i>
Current portion	<b>19,346</b>	123,428

The term loans carry interest at 3% p.a., are secured against vehicles financed (note 6 (d)) and repayable on a monthly basis with last instalment due on 1 August 2023.

**15. TRADE AND OTHER PAYABLES**

	<i>30 June 2023 AED (unaudited)</i>	<i>31 December 2022 AED (audited)</i>
Trade payables	<b>177,181,738</b>	108,811,677
Dividend payable	<b>26,388,986</b>	28,890,514
Accrued expenses	<b>11,401,753</b>	21,734,228
Advances from customers (note 4)	<b>10,348,803</b>	13,443,152
VAT Payable	<b>1,479,073</b>	814,807
Other payables	<b>579,594</b>	629,927
	<b>227,379,947</b>	174,324,305
Trade payables (non-current)	<b>1,706,781</b>	-
	<b>225,673,166</b>	174,324,305

**16. BASIC LOSS PER SHARE**

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2023 AED (unaudited)</i>	<i>30 June 2022 AED (unaudited)</i>	<i>30 June 2023 AED (unaudited)</i>	<i>30 June 2022 AED (unaudited)</i>
Loss for the period	<b>(9,627,119)</b>	(7,837,960)	<b>(23,691,639)</b>	(29,242,088)
Weighted average number of shares	<b>410,548,410</b>	410,548,410	<b>410,548,410</b>	410,548,410
Basic loss per share	<b>(0.023)</b>	(0.019)	<b>(0.058)</b>	(0.071)

The Company has not issued any instruments which would have a dilutive impact on earnings per share when exercised.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2023 (unaudited)

**17. DIVIDENDS**

At the annual general meeting held on 3 April 2023 (2022: 28 March 2022), no dividends were declared by the shareholders for the year ended 31 December 2022 (2022: Nil).

**18. RELATED PARTY BALANCES AND TRANSACTIONS**

During the period, the Company entered into the following significant transactions with related parties:

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2023</i>	<i>30 June 2022</i>	<i>30 June 2023</i>	<i>30 June 2022</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Attendance expenses for Board of Directors and committees' Meetings	<b>315,641</b>	206,795	<b>562,862</b>	472,640

The Company has entered into significant related party transactions with affiliates of Ras Al Khaimah government. Disclosure required as per para 18 of IAS 24 'Related Party Disclosures' on the balances and transactions along with nature of those transactions with such affiliate entities is not made by applying exemption as per para 25 of IAS 24 'Related Party Disclosures'.

**Compensation of key management personnel**

The remuneration of key management during the period was as follows:

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2023</i>	<i>30 June 2022</i>	<i>30 June 2023</i>	<i>30 June 2022</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Salaries and other short-term benefits (note below)	<b>1,055,742</b>	1,064,516	<b>2,267,116</b>	2,139,633
Employees' end of service benefits	<b>75,385</b>	77,213	<b>156,405</b>	154,778
	<b>1,131,127</b>	1,141,729	<b>2,423,521</b>	2,294,411

The amounts disclosed in the table above relating to salaries and other short-term benefits are the amounts recognised as an expense during the period related to key management personnel.

**19. CONTINGENT LIABILITIES AND COMMITMENTS**

	<i>30 June 2023</i>	<i>31 December 2022</i>
	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Letters of credit	<b>44,895,275</b>	29,442,760
Letters of guarantee	<b>36,725</b>	36,725
Capital commitments	<b>414,162</b>	974,162

Gulf Cement Company P.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2023 (unaudited)

**20. SEGMENT INFORMATION**

The Company is organised into two main business segments:

Manufacturing of all types of cement and investments incorporating investments in marketable equity securities, deposits with banks (excluding current accounts) and investment properties.

	<i>Six months period ended 30 June 2023</i>			<i>Six months period ended 30 June 2022</i>		
	<i>Manufacturing</i>	<i>Investments</i>	<i>Total</i>	<i>Manufacturing</i>	<i>Investments</i>	<i>Total</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Segment revenue</b>	<b>226,109,935</b>	<b>-</b>	<b>226,109,935</b>	176,562,493	-	176,562,493
<b>Segment result</b>	<b>(23,523,554)</b>	<b>(168,085)</b>	<b>(23,691,639)</b>	(28,227,424)	(1,014,664)	(29,242,088)

  

	<i>30 June 2023</i>			<i>31 December 2022</i>		
	<i>Manufacturing</i>	<i>Investments</i>	<i>Total</i>	<i>Manufacturing</i>	<i>Investments</i>	<i>Total</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
<b>Segment assets</b>	<b>842,206,388</b>	<b>18,122,265</b>	<b>860,328,653</b>	814,763,813	19,794,499	834,558,312
<b>Segment liabilities</b>	<b>284,278,369</b>	<b>-</b>	<b>284,278,369</b>	234,089,124	-	234,089,124

There are no transactions between the business segments.

Information about geographical segments is disclosed in note 4.1 above.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2023 (unaudited)

**21. FAIR VALUE MEASUREMENT**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms. The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2022.

*Fair value of financial instruments carried at amortised cost*

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the interim condensed financial statements approximate their fair values. Carrying amount of trade and other payables classified as non-current equals its fair value and is arrived basis of discounted cashflows.

*Fair value of the Company's financial assets that are measured at fair value on recurring basis*

Some of the Company's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined;

<i>Financial assets</i>	<i>Fair value</i>		<i>Fair value hierarchy</i>	<i>Valuation techniques and key inputs</i>	<i>Significant unobservable input</i>	<i>Relationship of unobservable inputs to fair value</i>
	<i>30 June 2023 AED (unaudited)</i>	<i>31 December 2022 AED (audited)</i>				
Quoted equity investments carried at FVTOCI	<b>1,859,452</b>	1,604,728	Level 1	Quoted bid prices in an active market	None	N/A
Unquoted equity investments carried at FVTOCI	-	618,373	Level 3	Adjusted net assets valuation method	Net assets value and discount for lack of marketability	Management has used net assets valuation method, which is appropriate fair value as per management.
Quoted equity instruments carried at FVTPL	<b>8,851,917</b>	9,915,102	Level 1	Quoted bid prices in an active market	None	N/A
	<b><u>10,711,369</u></b>	<u>12,138,203</u>				

*Fair value hierarchy*

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2023 (unaudited)

**22. FAIR VALUE MEASUREMENT (continued)***Fair value hierarchy (continued)*

For assets and liabilities that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no changes in the Company's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

**30 June 2023 (unaudited)**

	<i>Level 1</i> AED	<i>Level 2</i> AED	<i>Level 3</i> AED	<i>Total</i> AED
Investment property	-	-	6,430,000	6,430,000
Investments carried at FVTPL	8,851,917	-	-	8,851,917
Investments carried at FVTOCI:				
- Quoted equities	1,859,452	-	-	1,859,452
	<u>10,711,369</u>	<u>-</u>	<u>6,430,000</u>	<u>17,141,369</u>

**31 December 2022 (audited)**

	<i>Level 1</i> AED	<i>Level 2</i> AED	<i>Level 3</i> AED	<i>Total</i> AED
Investment property	-	-	6,430,000	6,430,000
Investments carried at FVTPL	9,915,102	-	-	9,915,102
Investments carried at FVTOCI:				
- Quoted equities	1,604,728	-	-	1,604,728
- Unquoted equities	-	-	618,373	618,373
	<u>11,519,830</u>	<u>-</u>	<u>7,048,373</u>	<u>18,568,203</u>

There were no transfers between the levels during the period. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

**23. CORPORATE INCOME TAX**

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime became effective from 1 June 2023 and accordingly, it has an income tax related impact on the financial statements for accounting periods beginning on or after 1 June 2023.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 – Income Taxes. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000 (and a rate of 0% on qualifying income of free zone entities).

The Company will be subject to taxation commencing 1 January 2024. Based on the above, the Company assessed the deferred tax implication and concluded it is not expected to be significant as of and for the six months period ended 30 June 2023. As certain other cabinet decisions are pending as on the date of these interim condensed financial statements, the Company will continue to assess the impact of these pending cabinet decisions on deferred taxes as and when finalized and published.

**24. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements were approved by the Board of Directors and authorised for issue on 9 August 2023.